

# **ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2006**

**UINTAH SCHOOL DISTRICT  
Vernal, Utah**

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## Independent Auditors' Report

Board of Education  
Uintah School District  
Vernal, Utah

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Uintah School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Uintah School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Uintah School District as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2006 on our consideration of Uintah School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is

an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 39, are not part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Uintah School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Uintah School District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Caldwell, Cronin & Feltz, LLP*

Vernal, Utah  
November 27, 2006

## **Management's Discussion and Analysis**

As management of the Uintah School District (District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2006. We encourage readers to consider the information presented here.

### **Financial Highlights**

- During this fiscal year, the district proposed a \$50 million General Obligation (G.O.) Bond issue for the November 2005 ballot. The proposition passed with a 68% favorable vote. The intent of the G. O. Bonds was to meet the needs of the districts 10-year master plan, which included 2, rebuilt elementary schools and many other renovations.
- In December 2005, the Board of Education issued \$5.977 million in Qualified Zone Academy Bonds (QZAB). This funding mechanism allowed the district to make payments into a sinking fund, which will pay off the QZABs at the end of maturity. The net affect of this type of financing will save the district approximately \$1 million.
- In March 2006, the Board of Education issued \$24 million in G. O. Bonds to begin the projects in the 10-year master plan.
- In May 2006, the district began construction of 2 elementary schools to replace 2 current elementary schools that are beyond repair. The planned completion date of these 2 schools is the summer of 2007, which will allow opening of the schools prior to the start of the 2007-2008 school year.
- During the 2003-2004 school year, the District partnered with the National School Fitness Foundation to purchase exercise equipment and implement a program for student physical education. There were several requirements that needed to be met to participate in the program and the District met all of them. The District entered into a lease of approximately \$218,000 with Zions Bank to purchase the equipment. The District was then to receive reimbursement for payments made to Zions Bank from the National School Fitness Foundation by participating in the program. There was no guarantee given that the reimbursements would be paid. During the school year, the District received approximately 6 months worth of payments and then failed to receive payments from that point including up to the end of the fiscal year. The National School Fitness Foundation filed for bankruptcy, which eliminated future reimbursements. The District has been able to meet all debt obligations with Zions Bank and will continue to do so. This liability was paid off during the 2005-2006 school year. The bankruptcy proceedings are continuing as this document is written. The District anticipates receiving some settlement from the bankruptcy court, although it is anticipated the

amount will be insignificant to the financial statements. The District maintains ownership of the fitness equipment.

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes, earned but unused vacation leave, earned but unused sick leave, and early retirement benefits).

The government-wide financial statements can be found on pages 12-13 of this report.

**Fund financial statements.** A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into three categories: government funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, and the debt service fund, which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated, presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found on page 18 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide financial statements. The notes to the financial statements can be found on pages 19-38 of this report.



## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$43,526,136 at the close of the most recent fiscal year. The largest portion of the District's net assets (66%) reflects its investment in capital assets (e.g. land, water stock, buildings and improvements, and furniture and equipment), less any related debt (bonds) used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### UINTAH SCHOOL DISTRICT'S Net Assets

	Governmental Activities	
	FY 2006	FY 2005
<b>Assets:</b>		
Current and Other Assets:	\$67,838,493	\$31,059,835
Capital assets:	38,026,093	35,537,425
Total Assets	105,864,586	66,597,260
<b>Liabilities:</b>		
Long-term Liabilities Outstanding	39,045,736	8,930,163
Other Liabilities	23,292,714	16,099,025
Total liabilities	62,338,450	25,029,188
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	28,628,522	28,155,921
Restricted	13,199,623	11,425,642
Unrestricted	1,697,991	1,986,509
Total net assets	<u>\$43,526,136</u>	<u>\$41,568,072</u>

As noted in the net assets comparison, the District incurred an increase of \$1,958,064. This increase is primarily from capital improvements made to facilities within the District. Other items that the change are attributed to include technology purchases and

improvements, an increase in the designated reserve fund balance, and a change in the method for recognizing property taxes to meet all of the appropriate standards.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets, both for the District as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

### Revenue Source/Expenditure Analysis as a Whole

As seen below, the Districts revenues increased in FY 2006 over FY 2005 by \$1,667,334. The primary reason for the increase in property taxes and fees in lieu is due to an increase in assessed valuation and new growth in Uintah County. This increase in assessed valuation is projected to continue for a number of years to come. The decrease in state revenues is primarily due to a decrease in student enrollment from the 2005 fiscal year. Federal revenues have decreased due to cuts in the federal budgets for public education such as Title I. Earnings on investments have substantially increased due to investment of bonds sold by the school district and a steady increase in investment rates.

Revenue Sources - All Funds	FY 2006	FY 2005	Variance	%
Property Taxes & Fees in Lieu	\$13,975,385	\$12,847,198	\$1,128,187	9%
State Aid	21,541,881	21,718,838	(176,957)	-1%
Federal Aid	6,439,558	6,646,055	(206,497)	-3%
Local Revenues	1,662,801	1,615,945	46,856	3%
Earnings on Investments	1,241,936	366,191	875,475	239%
<b>Total</b>	<b>\$44,861,561</b>	<b>\$43,194,227</b>	<b>\$ 1,667,334</b>	<b>4%</b>

Overall expenditures increased \$2,472,641. This increase was primarily due to an extended effort to spend more resources in instruction and the start of construction for 2 new elementary schools to replace existing elementary schools. Both of these areas are key in obtaining the goals the district has established.

### Financial Analysis of District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. The unreserved fund balance is divided between designated balances and undesignated balances. The District uses the unreserved balances for emergency and unforeseen hardships on the District. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances in capital projects and other

governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

*General fund.* The general fund is the chief operating fund of the District. At the end of the current fiscal year, the undesignated fund balance was \$457,082 while the total fund balance was \$5,994,289. The undesignated fund balance decreased by \$1,987 while the total fund balance decreased by \$904,151 during the current fiscal year. The key factors in this growth are a result of an increase in unexpended revenues in restricted programs.

Expenditures for general District purposes totaled \$34,713,895 an increase of \$1,023,923 or 3.3% during the current fiscal year; this increase was mainly due to an increase in inflation and salaries and benefits.

General fund salaries totaled \$21,315,183 while the associated fringe benefits of retirement, social security, unemployment, industrial insurance, life insurance, long-term disability, and health and accident insurance added \$8,626,753 to arrive at 86.25% of total general fund expenditures.

The capital projects fund has a total fund balance of \$36,338,724, an increase of \$30,508,488 over FY 2005. This fund balance is restricted for acquisition of capital assets, purchase of supplies, and related expenditures.

The non k-12 programs special revenue fund balance is \$1,304,943. This is an increase of \$277,895 over the previous year. This fund includes adult education, recreation services, and special education-preschool. The balances in this fund are restricted to services allowed and provided in each one of these programs.

The school foods special revenue program ended the current year with a fund balance of \$873,691. This is a increase of \$67,189 over the previous year. The school lunch program is very well managed and runs as efficiently as any in the State of Utah. These funds can only be used for the school foods program.

The Uintah Schools Foundation received contributions of \$170,947 during the current fiscal year to assist school programs.

The difference between actual expenditures and original budgeted expenditures is \$2,498,284. The final budget was increased over the original budget \$1,772,282. The main reason for the increase was to deal with the new construction projects that started during this fiscal year.

### **Capital Asset and Debt Administration**

The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. As

mentioned previously, the district began 2 new elementary building projects. The district currently has the following outstanding debt obligations.

- Lease Revenue Bond - \$7 million (Vernal Jr. High Renovation)
- Qualified Zone Academy Bond (QZAB) - \$5.977 million (Vernal Middle School Renovation – to begin March 2007)
- General Obligation Bonds - \$24 million (New buildings Maeser Elementary and Naples Elementary)

### **Changing Enrollment within the District**

This fiscal year, the District's enrollment decreased approximately 90 students as compared to the prior year, which was a change in the multiple year trend of declining enrollment. The district anticipates that this enrollment will increase over the next 1-2 years due to the current rise in the oil and gas industry.

### **Requests for Information**

This financial report is designed to provide a general overview of the Uintah School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Business Administrator  
Uintah School District  
635 West 200 South  
Vernal, UT 84078

**Statement of Net Assets**

June 30, 2006

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 48,867,852
Receivables:	
Property taxes	16,581,210
Other Governments	1,913,104
Other	22,385
Prepaid expenses	222,949
Inventories	98,776
Bond issuance costs, net	132,217
Capital assets:	
Land	4,346,396
Buildings under construction	2,846,398
Other capital assets, net of depreciation	30,833,299
<b>Total Assets</b>	<b>105,864,586</b>
<b>Liabilities:</b>	
Accounts payable	3,759,692
Accrued interest	457,681
Accrued salaries	1,711,245
Deferred revenue	
Property taxes	17,081,775
Bond premium - net of amortization	223,072
Other current liabilities	59,249
Noncurrent liabilities:	
Due within one year	1,782,568
Due in more than one year	37,263,168
<b>Total liabilities</b>	<b>62,338,450</b>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	28,628,522
Restricted for:	
Expendable:	
Capital projects	8,917,181
Foundation	75,927
K-12 programs	1,808,258
Non K-12 programs	1,323,321
School Foods	873,691
Nonexpendable:	
Foundation	201,245
Unrestricted	1,697,991
<b>Total net assets</b>	<b>\$ 43,526,136</b>

The notes to the financial statements are an integral part of this statement.

# Statement of Activities

For the year ended June 30, 2006

## Uintah School District

	Program Revenues			Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
<b>Governmental activities:</b>					
Instruction	\$ 25,215,677	\$ 381,287	\$ 10,098,014	\$ (14,736,376)	
Support Services:					
Students	1,404,823	237,493	545,382	(621,948)	
Instructional staff	1,056,231		617,327	(438,904)	
District administration	859,401		128,502	(730,899)	
School administration	2,257,162			(2,257,162)	
Central	1,510,893	621	553,434	(956,838)	
Operation and maintenance of plant	3,938,444	1,219		(3,937,225)	
Student transportation	2,641,026	2,159	2,231,304	(407,563)	
Noninstructional services	1,293,641	37,303	579,934	(676,404)	
School food services	2,103,977	826,631	1,405,456	128,110	
Debt service - interest	622,221			(622,221)	
<b>Total</b>	<b>\$ 42,903,496</b>	<b>\$ 1,486,713</b>	<b>\$ 16,159,353</b>	<b>(25,257,430)</b>	

### General revenues:

Property taxes & fees in lieu levied for:

General purposes	4,005,582
Transportation	698,657
Tort liability	232,887
K-3 Reading	151,381
Recreation	840,718
Capital outlay	8,046,160
Federal and State aid not restricted to specific purposes	11,509,682
Earnings on investments	1,241,936
Miscellaneous	488,491
<b>Total general revenues</b>	<b>27,215,494</b>

Change in net assets

Net assets - beginning

Net assets - ending

1,958,064
41,568,072
<b>\$ 43,526,136</b>

The notes to the financial statements are an integral part of this statement.

# Uintah School District

## Balance Sheet - Governmental Funds

For the year ended June 30, 2006

	Major Funds			Debt Service	Other Governmental Funds	Total Governmental Funds
	General	Capital Outlay				
<b>ASSETS</b>						
Cash - Note 3	\$ 1,078,056				\$ 237,391	\$ 1,315,447
Investments - Note 3	8,594,360	\$ 36,701,892	\$ 123,075		2,133,078	47,552,405
Accounts receivable						
Property taxes	5,081,890	8,173,614	2,531,743		793,963	16,581,210
Other local sources	22,385	72,000				94,385
State sources	35,214				76,737	111,951
Federal sources	1,533,548	114,698			80,907	1,729,153
Total Accounts Receivable	6,673,037	8,360,312	2,531,743		951,607	18,516,699
Pre-paid expenses	222,949					222,949
Inventories	\$ 16,568,402	\$ 45,062,204	\$ 2,654,818		98,776	\$ 67,706,276
<b>LIABILITIES AND FUND EQUITY</b>						
<b>Liabilities</b>						
Accounts payable	\$ 3,607,020	\$ 152,523			\$ 149	\$ 3,759,692
Accrued salaries and withholdings	1,578,908				132,337	1,711,245
Deferred revenue - Note 7	5,328,936	8,570,957	\$ 2,654,818		832,560	17,387,271
Other current liabilities	59,249					59,249
Total Liabilities	10,574,113	8,723,480	2,654,818		965,046	22,917,457
<b>Fund Equity</b>						
Fund Balances	1,784,586				1,440,754	3,225,340
Reserved for special programs - Note 8		72,000				72,000
Reserved for long-term receivable - Note 8		27,597,429				27,597,429
Reserved for capital projects - Note 8						
Unappropriated balances						
Undistributed reserve	1,850,000				15,957	1,850,000
Designated - Note 8	1,902,621	253,604			999,095	2,172,182
Undesignated	457,082	8,415,691				9,871,868
Total Fund Equity	5,994,289	36,338,724	-		2,455,806	44,788,819
	\$ 16,568,402	\$ 45,062,204	\$ 2,654,818		\$ 3,420,852	\$ 67,706,276

The notes to the financial statements are an integral part of this statement.

**Reconciliation of the Balance Sheet Of Governmental Funds  
To the Statement of Net Assets**  
June 30, 2006

<b>Total fund balance - total governmental funds</b>	<b>\$ 44,788,819</b>
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets of \$69,382,149, net of accumulated depreciation of \$31,356,056, are not financial resources and, therefore, are not reported in the governmental funds. See note A for additional details.	38,026,093
Property taxes levied for current and prior years not received within 60 days of year end are not considered financial resources and, therefore, are deferred in governmental funds; but are considered earned in the year for which they were assessed in the statement of net assets.	305,496
Long-term liabilities are not due and payable in the current period, and are not reported in the governmental funds:	
Revenue bonds payable	(7,018,000)
General obligation bonds	(29,977,000)
Early retirement benefits payable	(2,050,736)
Accrued interest on revenue bonds is not recorded in the governmental funds	(457,681)
Bond premiums are recorded as current sources of funds in the governmental funds. However, bond premiums are amortized over the life of the bonds in the statement of net assets.	(223,072)
Bond issuance costs are expensed when bonds are issued in the governmental funds. However, Bond issuance costs are amortized over the life of the bonds in the statement of net assets.	132,217
<b>Net assets of governmental activities</b>	<b><u>\$ 43,526,136</u></b>

The accompanying notes are an integral part of this financial statement.



Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2006

	Major Funds				
	General	Capital Outlay	Debt Service	Other Governmental Funds	Total
<b>REVENUES</b>					
Property Taxes & fees in lieu	\$ 5,091,966	\$ 8,051,629	\$ -	\$ 841,289	\$ 13,984,884
State aid	20,752,135			789,746	21,541,881
Federal aid	5,077,424	131,798		1,230,336	6,439,558
Local school lunch				826,631	826,631
Tuition	68,570			5,800	74,370
Earnings on investments	310,568	847,279		84,091	1,241,936
Other local revenues	496,083	45,000		232,155	773,238
<b>Total Revenues</b>	<b>31,796,744</b>	<b>9,075,706</b>	<b>-</b>	<b>4,010,048</b>	<b>44,882,498</b>
<b>EXPENDITURES</b>					
Current					
Instruction	22,443,287	444,611			22,887,898
Support services					
Students	1,371,723			6,800	1,378,523
Instructional Staff	1,041,840			13,706	1,055,546
District administration	740,388				740,388
School administration	2,166,635				2,166,635
Central	810,991	91,817			902,808
Operation and maintenance of plant	3,187,811	103,736			3,291,547
Student transportation	2,282,384				2,282,384
Noninstructional services				1,257,889	1,257,889
Facilities acquisition & construction					
School food services				2,173,646	2,173,646
Debt Service					
Interest		285,592			285,592
Principal		363,504			363,504
Capital Outlay					
Instruction	249,165	293,713			542,878
Support services	439,861	1,282,040			1,721,901
Noninstructional services				35,752	35,752
Facilities acquisition & construction		3,893,058			3,893,058
School food services				43,159	43,159
<b>Total Expenditures</b>	<b>34,713,895</b>	<b>6,758,071</b>	<b>-</b>	<b>3,530,952</b>	<b>45,002,918</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(2,917,151)</b>	<b>2,317,635</b>	<b>-</b>	<b>479,096</b>	<b>(120,420)</b>
<b>OTHER SOURCES (USES) OF FUNDS</b>					
Bonds issued		29,977,000			29,977,000
Bond premium		226,853			226,853
Interfund transfers	2,013,000	(2,013,000)			-
<b>Total Other Sources (Uses) of Funds</b>	<b>2,013,000</b>	<b>28,190,853</b>	<b>-</b>	<b>-</b>	<b>30,203,853</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(904,151)</b>	<b>30,508,488</b>	<b>-</b>	<b>479,096</b>	<b>30,083,433</b>
<b>Fund Balances at July 1</b>	<b>6,898,440</b>	<b>5,830,236</b>	<b>-</b>	<b>1,976,710</b>	<b>14,705,386</b>
<b>Fund Balances at June 30</b>	<b>\$ 5,994,289</b>	<b>\$ 36,338,724</b>	<b>\$ -</b>	<b>\$ 2,455,806</b>	<b>\$ 44,788,819</b>

The notes to the financial statements are an integral part of this statement.

# Uintah School District

## Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds To the Statement of Activities

For the year ended June 30, 2006

**Net change in fund balances - total governmental funds:** **\$ 30,083,433**

Amounts reported for *governmental activities* in the statement  
of activities are different because:

Property taxes are recorded as revenue in the year for which they are assessed in the statement of activities. However, taxes not received within 60 days of year end are deferred in the governmental funds. Deferred delinquent property taxes decreased. (9,499)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is depreciated over the estimated useful lives of the assets.

The cost of assets purchased 4,370,076  
Depreciation expense (1,866,189)

In the statement of activities, gain or loss realized on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.

Undepreciated book value of capital assets retired (15,219)

Bond issues are recorded as current sources of funds in governmental funds, but as increased liabilities in the statement of net assets. Bond premiums are recorded as current sources of funds in governmental funds but are recorded as deferred revenue in the statement of net assets and are amortized over the life of the bonds. Capital lease obligation and bond payments are recorded as current expenditures in governmental funds, but as reductions in liabilities in the statement of net assets. Bond issuance costs are recorded as expenditures in governmental funds; however such costs are recorded as assets in the statement of net assets and are amortized over the life of the bonds. Interest on bonded debt is recorded when payment is due in the governmental funds. However, interest on bonded debt is recorded as it accrues in the statement of activities.

Bonds issued (29,977,000)  
Bond premium (226,853)  
Bond premium amortization 3,781  
Bond and capital lease obligation payments 363,504  
Bond issuance costs 75,595  
Current amortization of debt issuance costs (4,859)  
Accrued interest on bonded debt (net change) (336,629)

Early retirement benefits are recorded as expenditures in the governmental funds when benefits are paid or become due. However, in the statement of activities, early retirement benefits are recorded as expense when they are awarded to employees.

Payment of benefits is recorded as a reduction in liabilities.

Early retirement benefits awarded to retirees in fiscal 2006. (1,059,248)  
Early retirement benefits paid in fiscal 2006 557,171

**Change in net assets of governmental funds** **\$ 1,958,064**

The accompanying notes are an integral part of these financial statements.

# Uintah School District

## Statement of Fiduciary Net Assets

### Agency Funds

June 30, 2006

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and investments	<u>\$ 130,267</u>
<b>Liabilities</b>	
Due to student organizations	\$ 83,624
Due to flexible spending	<u>46,643</u>
Total liabilities	<u>\$ 130,267</u>

The accompanying notes are an integral part of this financial statement.

**Notes to the Financial Statements  
June 30, 2006**

**1. Summary of Significant Accounting Policies**

**1. A. Introduction**

The accounting and reporting framework and the more significant accounting principles and practices of Uintah School District (District) are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the District's financial activities for the year ended June 30, 2006.

**1. B. Financial Reporting Entity – Basis of Presentation**

**1. B. 1. Component Units**

Uintah School District is governed by the board of education, the members of which are elected by citizens residing in five voting districts. The accompanying financial statements present the District's primary government and component units over which the District exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the District (as distinct from legal relationships).

The District's financial statements include two component units: The Municipal Building Authority of Uintah County School District, and The Uintah Schools Foundation. Both component units are blended with the primary government. Both component units are legally separate entities. Neither component unit has issued separate financial statements.

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# Uintah School District

## Notes to the Financial Statements June 30, 2006

Component units are reported in the District's financial statements as shown in the following table:

Blended Component Units Reported with the Primary Government	Brief Description of Activities and Relationship to the District	Reporting Funds
Municipal Building Authority of Uintah County School District (MBA)	Finances building remodeling and construction. Board of Education members act as the governing board of the MBA. District employees manage MBA assets and operations.	MBA single purpose fund blended with the District's capital outlay fund.
Uintah Schools Foundation (Foundation).	Provides funding to support the District and its students. An independent board of volunteers governs the Foundation. New board members are appointed by serving board members.	Foundation operating and permanent endowment funds blended with the District's other governmental funds.

### 1. B. 2. Government-wide and Fund Financial Statements

#### *Government-wide Financial Statements*

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities such as student activity funds. The primary government and its blended component units are presented. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services that report fees, tuition, and other charges to users of the District's services; (2) operating grants and contributions that finance annual operating activities; and (3) capital grants and contributions that fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

**Notes to the Financial Statements**  
**June 30, 2006**

Administrative overhead charges are included in direct expenses.

*Fund Financial Statements*

The accounts of the District are organized on the basis of funds or groups of accounts, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, reserves, fund balances, revenues, and expenditures. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The fund financial statements provide information about the District's governmental and fiduciary funds, including blended component units. Separate statements are provided for each fund category (governmental and fiduciary). Major individual governmental funds are reported individually in separate columns with a composite column for non-major funds.

**1. B. 3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions specifically made applicable to state and local governments by GASB statements or interpretations.

The *government-wide, and fiduciary* financial statements are reported using the economic resources measurement focus and the accrual method of accounting including the elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental fund* financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, grants and interest are considered to be susceptible to accrual. In general, other revenues are recognized when cash is received. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and post-employment healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital

**Notes to the Financial Statements**  
**June 30, 2006**

asset acquisitions are reported as expenditures in governmental funds. Bond issues and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**1. B. 4. Fund Types and Major Funds**

The District reports the following major governmental funds:

- The *operations and maintenance fund* (general fund) is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *capital projects* fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment.
- The *debt service* fund accounts for resources accumulated and payments made for retirement of matured bond principal and interest.

Additionally, the District reports the following fund type:

- The *student activities agency fund* and the *flexible spending agency fund* (fiduciary funds) account for monies held on behalf of student groups, and for employees pending qualified expenditures, respectively.

**1. C. Assets, Liabilities, and Net Assets or Equity**

**1. C. 1. Deposits and Investments**

The District maintains a cash and investment pool that is available for use by all funds. In addition, certain funds maintain separate bank accounts.

Demand deposits, including money market investments are reported as cash. Investments include deposits in the Utah Public Treasurer's Investment fund, certificates of deposit with maturities greater than 90 days, and marketable securities held by the Uintah School District Foundation.

**Notes to the Financial Statements  
June 30, 2006**

Investments are stated at cost which is not materially different from fair value, except for Uintah School District Foundation investments in marketable securities, which are stated at fair value, determined by reference to quoted market prices.

Further information on deposits and investments is presented in note 3.

**1. C. 2. Inventories**

Supplies and food products in the school foods fund are charged to expenditures when purchased, using the purchase method. Items in inventory at year-end are valued at cost as determined using the first-in, first-out method.

**1. C. 3. Capital Assets, and Depreciation**

The District's land, improvements, buildings, and equipment are stated at historical cost (or estimated historical cost if actual historical cost is not available) and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The District capitalizes assets with cost of \$5,000 or more as purchase and construction costs occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

- Buildings and land improvements 10 – 50
- Equipment, furniture, and machinery 5 – 20

In the governmental fund financial statements, the acquisition or construction of capital assets are recorded as current expenditures. Assets are not capitalized and depreciated. Proceeds from the sale of capital assets are recorded as current revenue.

Further information on capital assets and depreciation is presented in note 5.

**1. C. 4. Long-Term Debt, and Deferred Debt Expense**

In the government-wide financial statements, outstanding debt and other long-term liabilities are reported as liabilities. Bond premiums or discounts and issuance costs are amortized over the terms of the respective bonds using the straight-line method, which approximates the effective interest rate method.



**Notes to the Financial Statements  
June 30, 2006**

The governmental fund financial statements recognize bonds issued and bond premiums as other financing sources of the current period. Bond discounts are recognized as other financing uses of the current period. The bond issuance costs are reported as current expenditures.

Further information on Long-term debt is presented in note 6.

**1. C. 5. Fund Equity**

The governmental fund financial statements report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes. Designations of fund balances represent tentative plans for future use of financial resources that are subject to change.

Further information on reserved and designated fund balances is presented in note 8.

**1. D. Accumulated Compensated Absences**

**Sick leave:** Each contracted employee is allowed 12 to 16 days sick leave per year. Unused sick leave accumulates to a maximum of 150 days. Unused sick leave does not vest with the employee, i.e., it is lost upon termination of employment. However, 15% of the unused sick leave is paid to employees who voluntarily terminate their employment or retire after 20 years of service in the District. The value of the sick leave to be paid to retiring employees is accrued in government-wide financial statements in the period the retirement is approved. The governmental fund financial statements record the sick leave benefit in the period it is paid.

**Vacation:** Employees working on year-round contracts earn ten days vacation after working one year and one additional day for each year after five years of service not to exceed fifteen days. Upon termination of employment unused vacation days are paid to the employee. Unused vacation pay is accrued in both the government-wide and governmental fund financial statements. Employees forfeit unused vacation time in excess of five days.

**2. Budgetary Information**

The District adopts budgets for each of its governmental funds in accordance with State law. Budgets are presented on the same basis of accounting as that used in the governmental funds financial statements. A budgetary comparison schedule is presented as required supplementary information (RSI) for the operations and maintenance (general) fund. The following procedures are used in establishing the District's budgets:

- Prior to May 31st the District Superintendent submits to the Board of Education a proposed

**Notes to the Financial Statements  
June 30, 2006**

operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

- Public hearings are held by the Board of Education to obtain taxpayer comments.
- The budget is formally adopted prior to June 15<sup>th</sup>.
- The School Board may transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved only after a public hearing.
- Other special procedures apply if the rate of tax is increased over the prior year.

**3. Deposits and Investments**

Deposits and investments for local governments are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

**A. Custodial Credit Risk**

**Deposits**—Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006 the carrying amount of the District's deposits was \$812,397 and the bank balance was \$843,683. Of the bank balance, \$530,068 was uninsured and uncollateralized.

**B. Credit Risk**

**Investments**—Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers

**Notes to the Financial Statements  
June 30, 2006**

acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

Following are the District's investments at June 30, 2006:

Investment Type	Fair Value	Maturity	Quality Ratings
PTIF	\$ 47,424,660	less than 1 year	not rated
Repurchase Agreements	\$ 1,459,605	less than 1 year	not rated

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Note 1.C.1. provides additional information about deposits and investments.

**4. Property Taxes**

The property tax revenue of the District is collected and distributed by the Uintah County treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid

# Uintah School District

## Notes to the Financial Statements June 30, 2006

by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid. Essentially all property taxes are collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent taxes.

Motor vehicles are subject to an "age-based" fee in-lieu of property taxes. The age-based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from property taxes is distributed. The District recognizes the fee in-lieu of property taxes revenue when the county collects it.

The property taxes receivable and property taxes deferred revenue accounts at June 30, 2006 are summarized as follows:

	General	Capital Outlay	Debt Service	Other Governmental Funds	Total Governmental Funds	Total Statement of Net Assets
<b>Property taxes - receivable:</b>						
Levied for current and prior years (delinquent)	\$ 93,630	\$ 150,593	\$ 46,645	\$ 14,628	\$ 305,496	\$ 305,496
Levied for future year	4,988,260	8,023,021	2,485,098	779,335	16,275,714	16,275,714
	<u>\$ 5,081,890</u>	<u>\$ 8,173,614</u>	<u>\$ 2,531,743</u>	<u>\$ 793,963</u>	<u>\$ 16,581,210</u>	<u>\$16,581,210</u>

	General	Capital Outlay	Debt Service	Other Governmental Funds	Total Governmental Funds	Total Statement of Net Assets
<b>Property taxes - deferred revenue:</b>						
Levied for current and prior years (delinquent)	\$ 93,630	\$ 150,593	\$ 46,645	\$ 14,628	\$ 305,496	\$ -
Levied for future year and collected	247,046	397,343	123,075	38,597	806,061	806,061
Levied for future year and uncollected	4,988,260	8,023,021	2,485,098	779,335	16,275,714	16,275,714
	<u>\$ 5,328,936</u>	<u>\$ 8,570,957</u>	<u>\$ 2,654,818</u>	<u>\$ 832,560</u>	<u>\$ 17,387,271</u>	<u>\$17,081,775</u>

# Uintah School District

## Notes to the Financial Statements June 30, 2006

### 5. Capital Assets

The District's capital assets are summarized as follows:

	Assets			
	Balance 6/30/05	Additions	Retired	Balance 6/30/06
Land	\$ 4,230,351	\$ 116,045		\$ 4,346,396
Buildings Under Const		2,846,398		2,846,398
Land Improvements	419,171	31,944		451,115
Buildings	52,200,567	474,422		52,674,989
Equipment				
Computers	264,879	89,901	\$ (41,900)	312,880
Equipment	2,825,862	296,193	(32,613)	3,089,442
Vehicles	5,207,038	515,173	(61,282)	5,660,929
Total Depreciable Assets	60,917,517	1,407,633	(135,795)	62,189,355
Total Assets	<u>\$65,147,868</u>	<u>\$4,370,076</u>	<u>\$(135,795)</u>	<u>\$69,382,149</u>

	Accumulated Depreciation			
	Balance 6/30/05	Current Expense	Retired	Balance 6/30/06
Land				
Buildings Under Const				
Land Improvements	\$ 66,859	\$ 22,142		\$ 89,001
Buildings	24,900,827	1,075,773		25,976,600
Equipment				
Computers	172,254	36,625	\$ (41,896)	166,983
Equipment	1,124,026	248,194	(17,398)	1,354,822
Vehicles	3,346,477	483,455	(61,282)	3,768,650
Total Depreciable Assets	29,610,443	1,866,189	(120,576)	31,356,056
Total Assets	<u>\$29,610,443</u>	<u>\$ 1,866,189</u>	<u>\$ (120,576)</u>	<u>\$31,356,056</u>

## Uintah School District

### Notes to the Financial Statements June 30, 2006

Depreciation expense was directly charged to the functions wherein the respective assets are used. In addition, the depreciation of school buildings and related assets was allocated to functions based on the estimated usage of the assets as follows: School administration 5%, Operation and maintenance of plant 2%, School food services 8%, and Instruction 85%. Total depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Total 2006 Depreciation</u>
General administration	\$ 30,625
Student transportation	405,439
Operation and maintenance of plant	120,880
School food services	134,359
Instruction	1,109,615
School administration	65,271
Total	<u>\$ 1,866,189</u>

#### Construction Commitments:

As of June 30, 2006 the District is obligated under construction contracts related to construction of Maeser and Naples Elementary schools. Contract balances are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed</u>	<u>Balance to Complete</u>
Maeser Elementary	\$12,551,952	\$ 1,898,160	\$ 10,653,792
Naples Elementary	12,606,000	1,152,300	11,453,700
Total	<u>\$25,157,952</u>	<u>\$ 3,050,460</u>	<u>\$ 22,107,492</u>

The balances of the contracts will be paid from unexpended general obligation bonds issued for that purpose.

#### 6. Long-term Debt

- **Revenue Bonds**

Revenue bonds outstanding consist of The Municipal Building Authority Uintah County School District (MBA) Lease Revenue Bonds, Series 2002. The bonds, dated September 24, 2003 were issued to partially finance the remodeling of the Vernal Jr. High School. The first bond matures August 1, 2005 and bears interest at a fixed rate of 3.35%. One bond matures each year after that through 2012 for increasing amounts running from \$292,000 to \$376,000, with fixed interest rates

## Uintah School District

### Notes to the Financial Statements June 30, 2006

from 3.65% to 4.55%. Beginning in 2013 the remaining bonds mature. The interest rate is 3.9% through July 31, 2007 and then is adjusted every five years based on an index rate. The repayment schedule is designed to retire the bonds in eighteen annual payments of approximately \$600,000.

Uintah School District transferred ownership of the Vernal Jr. High School to the Municipal Building Authority, and leased the facilities back for an annual rental in an amount sufficient to pay the bond payments.

The annual debt service requirements to maturity are summarized as follows:

MBA Lease Revenue Bonds			
Year Ending June 30,	Principal	Interest	Total
2007	292,000	275,235	567,235
2008	303,000	263,997	566,997
2009	316,000	251,690	567,690
2010	329,000	238,300	567,300
2011	344,000	223,826	567,826
2012-2016	1,958,000	879,658	2,837,658
2017-2021	2,384,000	452,673	2,836,673
2022-2023	1,092,000	43,017	1,135,017
Total	<u>\$7,018,000</u>	<u>\$2,628,396</u>	<u>\$ 9,646,396</u>

#### • General Obligation Bonds

Uintah School District placed a proposal on ballot in the November 2005 general election to issue up to \$50 million in general obligation bonds for the purpose of constructing and remodeling school buildings. Voters approved the proposal. During the year ended June 30, 2006 the District issued two series of general obligation bonds totaling \$29.977 million. The District intends to issue additional general obligation bonds included in the proposal approved by voters.

- The District issued \$5,977,000 Qualified Zone Academy Bonds (QZAB) on December 29, 2005. The bonds bear no interest and are due in a single payment on December 29, 2020. The District is required to deposit \$326,856 into a sinking fund annually beginning December 29, 2006. The sinking fund deposits will be invested at 2.75% interest. The deposits plus interest earned will be sufficient to pay the bonds at maturity.
- District issued \$24,000,000 General Obligation School Building Bonds Series 2006 on

**Notes to the Financial Statements**  
**June 30, 2006**

March 1, 2006. The bonds bear interest at varying rates from 4.00% to 5.00%. The net interest cost over the life of the bonds is 4.27%. The bonds mature beginning February 1, 2007 in amounts varying from \$850,000 to 1,875,000 annually. The final bond matures on February 1, 2026. Interest semi-annual payments are due beginning February 1, 2007 and August 1, 2007.

The annual debt service requirements to maturity is as follows:

<b>General Obligation Bonds</b>			
<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	850,000	937,143	1,787,143
2008	1,400,000	988,338	2,388,338
2009	875,000	932,338	1,807,338
2010	700,000	897,338	1,597,338
2011	775,000	869,338	1,644,338
2012-2016	4,800,000	3,811,814	8,611,814
2017-2021	12,002,000	2,641,750	14,643,750
2022-2026	8,575,000	1,144,720	9,719,720
Total	<u>\$29,977,000</u>	<u>\$12,222,779</u>	<u>\$42,199,779</u>

- **Capital Lease Obligation**

The District financed the purchase of certain equipment by entering into a lease purchase agreement dated July 1, 2003. The contract requires monthly lease payments consisting of principal and interest at 3.150% beginning August 1, 2003 through July 1, 2006, in the amount of \$6,380. The contract was paid off early on July 22, 2005.

- **Early Retirement Benefits**

Uintah School District provides early retirement benefits to employees who retire before their normal retirement date with specified years of service. The actual benefits available to employees depend upon the terms of the District's policy in effect at the time of retirement. In addition to early retirement benefits, some employees (depending on the early retirement policy at the time of their retirement) qualify for post-retirement medical insurance benefits until they are eligible for Medicare. During the fiscal year ended June 30, 2006 employees retired under the early retirement policy with total estimated benefits (including medical insurance) to be paid in future years of \$1,059,248. During the fiscal year actual benefits paid totaled \$557,171. At June 30, 2006 Thirty-five (35) retired employees were receiving medical insurance benefits.



# Uintah School District

## Notes to the Financial Statements June 30, 2006

Long-term debt activity for the year is summarized as follows:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Due within One Year
<b>Governmental activities:</b>					
Bonds payable:					
MBA Revenue Bonds	\$ 7,300,000	\$ -	\$ (282,000)	\$ 7,018,000	\$ 292,000
G.O. QZAB Series 2005	-	5,977,000		5,977,000	
G.O. Series 2006	-	24,000,000		24,000,000	850,000
Total bonds payable, net	7,300,000	29,977,000	(282,000)	36,995,000	1,142,000
Capital Lease Obligation	81,504		(81,504)	-	
Early retirement payable (including insurance)	1,548,659	1,059,248	(557,171)	2,050,736	640,500
Total governmental activity					
Long-term liabilities	<u>\$ 8,930,163</u>	<u>\$ 31,036,248</u>	<u>\$ (920,675)</u>	<u>\$ 39,045,736</u>	<u>\$ 1,782,500</u>

Additional information regarding the reporting of long-term debt is found in notes 1.B.3. and 1.C.4.

## 7. Deferred Revenues

Certain revenues received or accrued as of June 30, 2006 are for the following fiscal year. Accordingly these revenues are deferred. Deferred revenue at June 30, 2006 is as follows:

	General	Capital Outlay	Other Governmental Funds	Total Governmental Funds	Total Statement of Net Assets
<b>Property taxes - deferred revenue:</b>					
Levied for current and prior years (delinquent)	\$ 93,630	\$ 150,593	\$ 46,645	\$ 14,628	\$ 305,496
Levied for future year and collected	247,046	397,343	123,075	38,597	806,061
Levied for future year and uncollected	4,988,260	8,023,021	2,485,098	779,335	16,275,714
	<u>\$ 5,328,936</u>	<u>\$ 8,570,957</u>	<u>\$ 2,654,818</u>	<u>\$ 832,560</u>	<u>\$ 17,387,271</u>
					<u>\$ 17,081,775</u>

# Uintah School District

## Notes to the Financial Statements June 30, 2006

### General Obligation Bonds Series 2006 - Bond Premium

Bond premium	\$ 226,853
Accumulated amortization	<u>(3,781)</u>
Bond Premium, net of amortization	<u>\$ 223,072</u>

### 8. Reserved and Designated Fund Balances

#### Reserved for special programs

Uintah School District has received funds for various special programs. Portions of these funds which were not expended during the year ended June 30, 2006 and which may be carried over to the subsequent year, have been reserved in the fund balance for their specific purposes. These amounts apply to the specific programs as follows:

Program Number	Description	General	Capital Outlay	Other Governmental Funds
0307	Job Enhancement	\$ 13,493		
0600	Transportation	120,296		
0600	Transportation P-Tax	22,021		
1205	SPED Regular/Self Contained	71,475		
1206	SPED Medicaid	69,878		
1215	SPED Preschool			\$ 482,807
1216	SPED Medicaid Preschool			90,552
1220	SPED Extended year	50,439		
1225	Special Ed State programs	84,011		
1609	Adult High School Completion			77,870
1610	Adult Basic Skills			
1611	GED			
3010	Community Recreation			485,855
3010	Recreation			26,498
3020	Connections	66,163		
5211	Gifted and Talented	156,857		

# Uintah School District

## Notes to the Financial Statements June 30, 2006

5212	Advanced Placement	4,170		
5213	Concurrent Enrollment	78,686		
5215	At-Risk	75,462		
5218	At-Risk Homeless	28,573		
5221	Youth In Custody	8,986		
5225/ 5226	Quality Teaching	193,250		
5230	Class Size Reduction	51,287		
5306	Student Intervention	63,050		
5345	Staff Development	1,533		
5364	Alternative Language	49,286		
5366	Highly Impacted	58,657		
5405	Exp Dev Formula	16,033		
5420	School Trust Lands	92,496		
5460	K-3 Reading Initiative	86,523		
5460	K-3 Reading Initiative P Tax	4,771		
5618	Material Support ULACC	1,000		
5698	UPASS Technology	23,600		
5699	UPASS	80,128		
5851	Teacher Supplies and Materials	7,015		
5865	Reading Performance Imp	2,500		
5980	Art Works for Kids - Todd	5,510		
6915	Applied Technology Education	102,636		
6916	ATE Set-Aside	94,801		
9993	Maeser Elementary Project		\$ 10,027,757	
9994	Naples Elementary Project		11,583,480	
9996	Vernal Middle School Project		5,986,192	
	Uintah School District Foundation			277,172
	Total for special programs	\$ 1,784,586	\$ 27,597,429	\$ 1,440,754

# Uintah School District

## Notes to the Financial Statements June 30, 2006

### Reserved for long-term receivables

Uintah School District purchased real property for the Uintah Basin Applied Technology College (UBATC) during the year ended June 30, 2001. UBATC has agreed to pay the District the cost of the property with no interest over a period of years as follows:

Fiscal Year Ended June 30,	Capital Outlay
2007	\$ 24,000
2008	24,000
2009	24,000
	<u>\$ 72,000</u>

Fund balance in the Capital Outlay Fund has been reserved in the amount of the receivable because the funds are not available to fund District operations until the years they are received.

### Designated fund balances

The District has designated a portion of the general fund balance for the following purposes:

	General	Capital Outlay	Other Governmental Funds
0055 Student Fees	\$ 226,682		
0056 Risk Management	40,572		
0060 Saturday School	6,659		
0075 Workers Comp	35,691		
0080 Unemployment	61,448		
0255 Early Retirement	48,394		
1290 Preschool Non-Disabled			\$ 7,790
1295 Cepp	47,550		
1611 GED			8,167

# Uintah School District

## Notes to the Financial Statements June 30, 2006

5361	ETI Scholarship Funds - UBET	4,072		
5610	Drivers Education	9,913		
9500	District Vehicles	27,472		
9600	Literacy Commission	2,103		
9700	Uintah Basin Ed Conf	6,869		
9990	Administration	537,014		
0001	Regular Programs Prop Tax	133,591	\$ 253,604	
0001	Impact Aid	379,760		
7101	Impact Aid	134,831		
	Employee Bonus	200,000		
Total designated fund balance		\$ 1,902,621	\$ 253,604	\$ 15,957

## 9. Pension Plans

**Plan Description.** The Uintah School District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy.** Plan members in the State and School Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and Uintah School District is required to contribute 8.89% of their annual covered salaries. In the State and School Noncontributory Retirement System the Uintah School District is required to contribute 13.38% of the annual covered salaries. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute

**Notes to the Financial Statements  
June 30, 2006**

and specified by the Board.

The Uintah School District contributions to the State and School Contributory Retirement system for the years ending June 30, 2006, 2005 and 2004 were \$30,650, \$45,820, and \$37,946, respectively and for the Noncontributory Retirement System the Contributions for June 30, 2006, 2005, and 2004 were 2,352,282, \$2,605,785, and \$2,112,926, respectively. The contributions were equal to the required contributions for each year.

The District contributes a percentage of the salaries of all eligible employees to a 401K deferred compensation plan. Employees may elect to have a portion of their compensation deferred having the District withhold it and place it in trust in a 401K plan. The District allows employees to choose one of two 401K plans: one administered by the Utah State Retirement Board, the other by the Utah Interlocal Benefits Trust Board.

**10. Risk Management**

Uintah School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For all of these risks, except workers compensation, the District is a participant in the Utah State Risk Management Pool, a public entity risk pool operated by the state of Utah for the benefit of all public school districts, all state universities and colleges, and all state agencies. Uintah School District pays an annual premium to State Risk Management for its insurance coverage. The District's losses are covered subject to the following deductibles; property damage, \$1,000 per occurrence; vehicle comprehensive and damage, \$500 per occurrence. State Risk Management is considered a self-sustaining risk pool. It purchases excess commercial insurance for property losses in excess of \$1 million per occurrence and \$2.5 million in the aggregate.

Uintah School District purchases its workers compensation insurance from Utah School Board's Risk Management Mutual Insurance Association, a mutual insurance association owned by 30 participating school districts. Uintah School District's workers compensation claims are fully covered with no deductible.

The District also purchases health and accident insurance for its employees through commercial insurance.

**11. Interfund Transfers**

In addition to the basic property tax levy for capital outlay purposes, State law allows the District to levy an "additional 10% of the basic." The funds generated by this tax levy may only be used by the District for the purchase of school sites, construction of buildings, the purchase of equipment, and the purchase of supplies. Each year the District transfers a portion of this *additional 10% of basic* to

**Notes to the Financial Statements**  
**June 30, 2006**

the general fund to be used for qualified expenditures. For the fiscal year ended June 30, 2006 \$2,103,000 was transferred from capital outlay to general fund.

# Uintah School District

## Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### General Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes & fees in lieu	\$ 4,036,803	\$ 4,646,803	\$ 5,091,966	\$ 445,163
State aid	21,245,109	23,679,239	20,752,135	(2,927,104)
Federal aid	5,584,054	6,097,311	5,077,424	(1,019,887)
Tuition	67,000	67,000	68,570	1,570
Earnings on investments	125,000	125,000	310,566	185,566
Other local revenues	335,632	938,732	496,083	(442,649)
<b>Total Revenues</b>	<b>31,393,598</b>	<b>35,554,085</b>	<b>31,796,744</b>	<b>(3,757,341)</b>
<b>EXPENDITURES</b>				
Current				
Instruction	23,453,382	23,995,666	22,443,287	1,552,379
Support services				
Students	1,720,617	1,669,969	1,371,723	298,246
Instructional Staff	1,228,477	1,323,788	1,041,840	281,948
District administration	1,045,951	881,119	740,398	140,721
School administration	2,191,435	2,183,530	2,166,635	16,895
Central	1,592,620	2,101,467	810,991	1,290,476
Operation and maintenance of plant	3,094,517	3,399,517	3,187,611	211,906
Student transportation	2,391,286	2,428,006	2,262,384	165,622
Capital Outlay				
Instruction	134,411	356,254	249,165	107,089
Support services	359,483	645,145	439,861	205,284
<b>Total Expenditures</b>	<b>37,212,179</b>	<b>38,984,461</b>	<b>34,713,895</b>	<b>4,270,566</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(5,818,581)</b>	<b>(3,430,376)</b>	<b>(2,917,151)</b>	<b>513,225</b>
<b>OTHER SOURCES (USES) OF FUNDS</b>				
Interfund transfers	2,513,589	2,513,589	2,013,000	(500,589)
<b>Total Other Sources (Uses) of Funds</b>	<b>2,513,589</b>	<b>2,513,589</b>	<b>2,013,000</b>	<b>(500,589)</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures</b>	<b>(3,304,992)</b>	<b>(916,787)</b>	<b>(904,151)</b>	<b>12,636</b>
Fund Balances at July 1	6,898,440	6,898,440	6,898,440	-
<b>Fund Balances at June 30</b>	<b>\$ 3,593,448</b>	<b>\$ 5,981,653</b>	<b>\$ 5,994,289</b>	<b>\$ 12,636</b>

The notes to the financial statements are an integral part of this statement.



# Uintah School District

## Combining Balance Sheets Other Governmental Funds

June 30, 2006

	Permanent Fund				Total
	School Foods	Non K-12 Programs	Uintah Schools Foundation	Uintah Schools Foundation Trusts	
Cash	\$ 87,884	\$ 80	\$ 73,182	\$ 76,245	\$ 237,391
Investments	655,149	1,350,184	2,745	125,000	2,133,078
Accounts Receivable					
Property taxes		793,963			793,963
Other local sources					
State	76,737				76,737
Federal	22,215	58,692			80,907
Inventories	98,776				98,776
	<u>\$ 940,761</u>	<u>\$ 2,202,919</u>	<u>\$ 75,927</u>	<u>\$ 201,245</u>	<u>\$ 3,420,852</u>

### ASSETS

### LIABILITIES AND FUND EQUITY

Liabilities					
Accounts Payable	\$ 42	\$ 107			\$ 149
Accrued salaries & withholdings	67,028	65,309			132,337
Deferred revenue - Note 7		832,560			832,560
Total Liabilities	<u>67,070</u>	<u>897,976</u>			<u>965,046</u>
Fund Equity					
Reserved for special programs - Note 8		1,163,582	\$ 75,927	\$ 201,245	1,440,754
Unappropriated balances					
Designated - Note 8		15,957			15,957
Undesignated	873,691	125,404	-	-	999,095
Total Fund Equity	<u>873,691</u>	<u>1,304,943</u>	<u>75,927</u>	<u>201,245</u>	<u>2,455,806</u>
	<u>\$ 940,761</u>	<u>\$ 2,202,919</u>	<u>\$ 75,927</u>	<u>\$ 201,245</u>	<u>\$ 3,420,852</u>

The notes to the financial statements are an integral part of this statement.

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Other Governmental Funds  
For the Year Ended June 30, 2006

	School Foods	Non K-12 Programs	Uintah Schools Foundation	Permanent Fund Uintah Schools Foundation Trust	Total
<b>REVENUES</b>					
Property taxes & fees in lieu		\$ 841,289			\$ 841,289
State aid	\$ 268,473	521,273			789,746
Federal Aid	1,136,983	93,353			1,230,336
Local school lunch sales	826,631				826,631
Tuition		5,800			5,800
Earnings on investments	22,646	54,330	\$ 6,754	\$ 361	84,091
Other local revenues	29,261	31,947	45,947	125,000	232,155
Total Revenues	2,283,994	1,547,992	52,701	125,361	4,010,048
<b>EXPENDITURES</b>					
Current					
Support services					
Students			6,800		6,800
Instructional Staff			13,706		13,706
Noninstructional services	-	1,234,345	23,544		1,257,889
Total Support Services	-	1,234,345	44,050		1,278,395
School food services	2,173,646				2,173,646
Debt Service					
Interest					-
Redemption of principal					-
Total Current Expenditures	2,173,646	1,234,345	44,050		3,452,041
Capital Outlay					
Noninstructional services		35,752			35,752
Food services	43,159				43,159
Total Capital Outlay	43,159	35,752			78,911
Total Expenditures	2,216,805	1,270,097	44,050		3,530,952
Excess of Revenues Over (Under) Expenditures	67,189	277,895	8,651	125,361	479,096
Fund Balances at July 1	806,502	1,027,048	67,276	75,884	1,976,710
FUND BALANCES AT JUNE 30	\$ 873,691	\$ 1,304,943	\$ 75,927	\$ 201,245	\$ 2,455,806

The notes to the financial statements are an integral part of this statement.

**Combining Statement of Fiduciary Net Assets**

June 30, 2006

**Uintah School District**

	<b>Student Activities Fund</b>	<b>Flexible Spending Fund</b>	<b>Total Agency Funds</b>
<hr/>			
<b>Assets</b>			
Cash and investments	<u>\$ 83,624</u>	<u>\$ 46,643</u>	<u>\$ 130,267</u>
<b>Liabilities</b>			
Due to student organizations	\$ 83,624		\$ 83,624
Due to flexible spending	-	\$ 46,643	46,643
Total liabilities	<u>\$ 83,624</u>	<u>\$ 46,643</u>	<u>\$ 130,267</u>

The accompanying notes are an integral part of this statement.

# Uintah School District

## Statement of Changes in Assets and Liabilities Student Activities Agency Fund For the Year Ended June 30, 2006

	Balance Due to Student Organizations June 30, 2005	Cash Receipts	Cash Disbursements	Balance Due to Student Organizations June 30, 2006
<b>Assets</b>				
Cash and investments	\$ 181,031	\$ 912,476	\$ 1,009,883	\$ 83,624
<b>Liabilities</b>				
Due to student organizations:				
* Uintah High School	\$ 48,325	\$ 547,036	\$ 656,870	\$ (61,509)
* Vernal Junior High School	23,017	75,301	76,260	22,058
Vernal Middle School	24,857	42,909	49,110	18,656
West Junior High School	208	18,633	18,688	153
Ashley Elementary School	18,303	65,804	50,709	33,398
Davis Elementary School	12,004	19,068	17,866	13,206
Discovery Elementary School	24,977	33,594	29,144	29,427
Lapoint Elementary School	2,420	24,895	22,364	4,951
Maeser Elementary School	21,721	29,379	36,188	14,912
Naples Elementary School	6,428	30,581	28,421	8,588
Todd Elementary School	737	25,276	24,263	1,750
* Ashley Valley Education Center	(1,966)			(1,966)
Total Liabilities	\$ 181,031	\$ 912,476	\$ 1,009,883	\$ 83,624

\* Excludes student fees which are reported in the general fund.

The accompanying notes are an integral part of this financial statement.

UTAH SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Expenditures
<b>U. S. DEPARTMENT OF EDUCATION</b>			
<b>Direct Programs</b>			
Impact Aid Title VII (PL-874)	84.041	N/A	\$ 487,857
Indian Education Title IV	84.060	N/A	102,329
Title VIII-Training for All Teachers	84.195B	N/A	237,970
Partners in Character Education - LEA Grants	84.215S	N/A	<u>385,584</u>
Total Direct			1,213,740
<b>Passed Through State Department of Education</b>			
Title I Grants to Local Educational Agencies/Administration	84.01A	08	971,247
Title I Program for Neglected & Delinquent Children	84.013A	13	2,853
Special Education - State Grants	84.027A	19	1,243,390
Special Education - Preschool Grants	84.173A	52	52,643
Adult Education - State Administered Basic Grant Program	84.002A	33	40,710
Vocational Education - Basic Grants to States	84.048A	21	94,979
UBATC Tech Prep	84.243A	26	4,170
Safe & Drug-free Schools & Communities	84.186A	09	18,909
Improving Teacher Quality	84.367	74	368,257
Even Start - State Educational Agencies	84.213C	18	245,091
Tech-Literacy Challenge	84.318X	07	6,900
Title III - English Language Acquisition	84.365	73	42,372
E-Mints (Granite School District)	84.318	NA	134,810
Professional Development of Rural Educators	84.Unknown	NA	1,429
Fund for Improvement of Education - Rural Schools Material Support	84.215K	14	5,340
Title VA - State Assessments	84.369	76	25,584
Title I LEA Program Improvement	84.01A	08	179,217
Connections Edge	84.287C	60	<u>425,439</u>
Total Pass Through			<u>3,863,340</u>
Total U.S. Department of Education			5,077,080
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed Through State Department of Education</b>			
National School Lunch Program/Special Assistance Program	10.555	42/43	836,750
School Breakfast Program	10.553	44	149,321
Child & Adult Care Food Program	10.558	47/49	19,963
Food Distribution (Commodities)	10.550	N/A	<u>130,949</u>
Total Pass Through			1,136,983
<b>Other Assistance</b>			
Forest Reserve	10.665	N/A	<u>32,554</u>
Total U.S. Department of Agriculture			<u>1,169,537</u>
Total Expenditures of Federal Awards			<u>\$ 6,246,617</u>

## Uintah School District

### Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2006

#### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Uintah School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The amounts presented in the schedule agree with amounts presented in, or used in the preparation of the basic *governmental fund* financial statements.

Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

Total expenditures of federal awards	\$ 6,246,617
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Federal pass-through revenues classified as State in the financial statement:

UBATC Tech Prep	(4,170)
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Revenues from federal sources - not classified as federal awards:

E-Rate	197,114
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Rounding differences	<u>(3)</u>
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Total federal revenue reported in the financial statement	<u>\$ 6,439,558</u>
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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Uintah School District  
Vernal, Utah

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Uintah School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 27, 2006. We conducted our audit in accordance with auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Uintah School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting, which we have reported to management of Uintah School District in the accompanying schedule of findings and questioned costs dated November 27, 2006.

### **Compliance**

As part of obtaining reasonable assurance about whether Uintah School District's financial statements are free of material misstatement, we performed tests of its compliance with certain

provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Education, management and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Caldwell. Cramer & Pugh LLP*

Vernal, Utah

November 27, 2006



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## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Uintah School District  
Vernal, Utah

### **Compliance**

We have audited the compliance of Uintah School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Uintah School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Uintah School District's management. Our responsibility is to express an opinion on Uintah School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Uintah School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Uintah School District's compliance with those requirements.

In our opinion Uintah School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-1 and 06-2.

## Internal Control Over Compliance

The management of Uintah School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Uintah School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Colleen L. Crouse, CPA*

Vernal, Utah  
November 27, 2006

# CALDWELL, COOMBS & FOLEY, LLP

*Certified Public Accountants*

92 North Vernal Avenue  
Vernal, Utah 84078-2104  
(435) 789-0961  
Fax (435) 789-0340

## INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

Uintah School District Board  
Uintah School District  
Vernal, Utah

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Uintah School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 27, 2006. As part of our audit, we have audited the Uintah School District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. The District received the following major State assistance programs from the State of Utah:

- Minimum School Program (State Office of Education)
- Pupil Transportation (State Office of Education)
- Special Education (State Office of Education)
- Special Education - Preschool (State Office of Education)
- School Lunch (State Office of Education)
- Quality Teaching (State Office of Education)
- School Trust Land (State Office of Education)
- Applied Technology (State Office of Education)
- Youth In Custody (State Office of Education)
- Highly Impacted Schools (State Office of Education)
- Local Program (State Office of Education)
- Small Schools (State Office of Education)
- Student Interventions Block Grant (State Office of Education)
- Class Size Reduction K-8 (State Office of Education)
- Professional Staff (State Office of Education)
- Reading Achievement K-3 (State Office of Education)

The District also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the Uintah School District's financial statements.)

- Adult High School Completion (State Office of Education)
- Concurrent Enrollment (State Office of Education)
- Advanced Placement (State Office of Education)
- Extended Year - Severely Disabled (State Office of Education)

Gifted and Talented (State Office of Education)  
At-risk Homeless-Minority (State Office of Education)  
Driver Education (State Office of Education)  
At-risk Student Program (State Office of Education)  
Teacher Supplies & Materials (State Office of Education)  
Art Education (State Office of Education)  
Artworks for Kids (State Office of Education)  
Substance Abuse (State Office of Education)  
UPASS (State Office of Education)  
UPASS On-line Testing (State Office of Education)  
Material Support (State Office of Education)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth In Taxation & Property Tax Limitations  
Other General Issues

The management of the Uintah School District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above that are described in the schedule of findings and questioned costs as item 06-3.

In our opinion the Uintah School District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

*Charles L. Smith, CPA*

Vernal, Utah  
November 27, 2006

## UINTAH SCHOOL DISTRICT

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2006

#### A. SUMMARY OF AUDIT RESULTS

1. The Auditors' report expresses an unqualified opinion on the financial statements of Uintah School District.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Uintah School District were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133.
5. The auditors' report on compliance expresses an unqualified opinion.
6. Two audit findings relative to the major federal award programs for Uintah School District are reported in Part C. of this Schedule.
7. The programs tested as major programs included:

<u>Name of Program</u>	<u>CFDA No.</u>
Indian Education Title IV	84.060
Title VIII – Training for All Teachers	84.195B
Title I Grants to Local Education Agencies	84.01A
Improving Teacher Quality	84.367
E-Mints	84.318

8. The threshold for distinguishing Type A and B programs was \$300,000.

**UINTAH SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2006**

9. Uintah School District was determined to be a low-risk auditee.

**B. FINDINGS--FINANCIAL STATEMENTS AUDIT**

**COMPLIANCE MATTERS**

None

**REPORTABLE CONDITIONS**

None

**C. FINDINGS AND QUESTIONED COSTS -- MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**Questioned Costs**

**DEPARTMENT OF EDUCATION**

**Title I Grants to Local Educational Agencies CFDA No. 84.01A**

**06-1 Highly Qualified Teachers**

**Criteria** – Title I, Section 1119(a) of ESEA (20 USC 6319(a), CFR sections 200.55 and 200.56 require that all teachers of core academic subjects, whether or not they work in a program supported with Title I, Part A funds, must be highly qualified by the end of the 2005-06 school year.

**Condition** – Teachers who were not highly qualified in the subjects they were teaching taught 422 classes out of 1364 or 31 percent of the classes taught in the Uintah School District during the 2005-06 school year.

**Recommendation** – The District should review its program for training existing teachers and for hiring new teachers to insure that all teachers are highly qualified as soon as possible.

**District Response** – All Uintah School District teachers currently deemed not Highly Qualified for their current teaching assignment were notified in October 2006 of such status. These teachers were informed of the specific steps to take in order to become Highly Qualified. All are expected to complete, or to at least begin, the process to become Highly Qualified by the spring of 2007. All newly hired teachers will be Highly Qualified at the time of hire, or will agree to immediately begin the process to become Highly Qualified.

## UINTAH SCHOOL DISTRICT

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2006

Questioned Costs

\$ none

#### Improving Teacher Quality State Grants CFDA No. 84.367

##### 06-2 Assessment of Need

**Criteria** – ESEA Sections 2122(b)(8) and (c) (20 USC 2122(b)(8) and (c)) require the District to conduct an assessment of local needs for professional development and hiring as identified by district officials and school staff. The needs assessment must be conducted with the involvement of teachers, including teachers who work in Title 1, Part A targeted assistance programs and schoolwide program schools.

**Condition** – We were not able to find any documentation that the required needs assessment was conducted.

**Recommendation** – The District should conduct the required needs assessment and should maintain adequate documentation of process and personnel involved.

**District Response** – A comprehensive needs assessment for professional development and hiring will be conducted between January and February 2007. Uintah School District staff, principals, and teacher representatives from the schools will be asked to give input and assist in the assessment.

Questioned Costs

\$ none

Total Questioned Costs – All Federal Departments

\$ none

### C. MANAGEMENT LETTER POINTS

#### 06-3 Individual Schools – Accounting Issues

**Finding** – We noted several instances where receipts and checks were coded to incorrect accounts. We noted that the use of purchase orders is inconsistent in the schools. We noted several instances where expenditures were not supported by adequate documentation. In several instances school funds were not deposited within three business days as required by State law.

## UINTAH SCHOOL DISTRICT

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2006**

None of the schools used budgets to monitor their expenditures. Several of the school secretaries were not sure how to perform school accounting functions.

**Criteria** – The District has established standardized accounting procedures for receiving, expending and accounting for funds within individual schools.

**Effect** – District funds were not correctly accounted for in accordance with established procedures in these instances.

**Recommendation** – District Business Office personnel should review the findings specific to each school, and should meet with school secretaries and principals to address the issues applicable to each school. Secretaries should receive training, as required. New secretaries may need training beyond the annual one-day workshop the District has normally used. The District office may consider whether schools should be required to use budgets to monitor their expenditures.

**District Response** – The district continually works with the individual schools and those working with financial transactions to insure that proper accounting procedures are followed. The district will continue to train personnel and hold regularly scheduled internal audits with district accounting staff to insure that transactions are being handled properly.





# Uintah School District

## Board of Education

Tod Tesar, President • Rodney Anderson, M.D., Vice President  
Jennifer Foley, Member • Shane Frost, Member • Richard C. May, Member

### CORRECTIVE ACTION PLAN

November 27, 2006

U.S. Department of Education:

Uintah School District respectfully submits the following corrective action plan for the year ended June 30, 2006.

Personal responsible for corrective action: J. Randall Upton, Business Administrator

Name and address of independent public accounting firm:

Caldwell, Coombs & Foley, LLP  
92 North Vernal Avenue  
Vernal, Utah 84078

Audit Period: The year ended June 30, 2006

Findings from the November 27, 2006 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### Findings – Major Federal Award Programs Audit

#### 06-1 Highly Qualified Teachers

**Recommendation** – The District should review its program for training existing teachers and for hiring new teachers to insure that all teachers are highly qualified as soon as possible.



**Action Taken** – All Uintah School District teachers currently deemed not Highly Qualified for their current teaching assignment were notified in October 2006 of such status. These teachers were informed of the specific steps to take in order to become Highly Qualified. All are expected to complete, or to at least begin, the process to become Highly Qualified by the spring of 2007. All newly hired teachers will be Highly Qualified at the time of hire, or will agree to immediately begin the process to become Highly Qualified.

#### **06-2 Assessment of Need**

**Recommendation** – The District should conduct the required needs assessment and should maintain adequate documentation of process and personnel involved.

**Action Taken** – A comprehensive needs assessment for professional development and hiring will be conducted between January and February 2007. Uintah School District staff, principals, and teacher representatives from the schools will be asked to give input and assist in the assessment.

If the U.S. Department of Education has questions regarding this plan, please call Randall Upton at (435) 781-3100.

Sincerely yours,



J. Randall Upton  
Business Administrator

## Uintah School District

### Status of Prior Year Findings and Management Letter Points For The Year Ended June 30, 2006

The following management letter points were reported in the audit for the prior year ended June 30, 2005. Each finding is repeated as it was reported, with the addition of a brief description of the current status of the matter. No matters involving federal awards programs were reported for the year ended June 30, 2005.

#### FINDINGS--FINANCIAL STATEMENTS AUDIT

#### MANAGEMENT LETTER POINTS

##### 05-1. Policy Regarding Grant Applications and Management

**Finding** – We noted several management issues with respect to one grant program. The approved grant application specified compensation for the program director that exceeded the District's salary schedule. The program director, the primary vendor for the program, and the program's contract evaluator were all related. These relationships were apparently known and approved by the District when the grant application was submitted. The program expended funds gathering research data for the vendor, for which the program was reimbursed; however there was no contract or written agreement that specified the services District employees were to provide to the vendor, or the amount of reimbursement to be received.

**Status** – We noted no similar conditions in the 2005-06 year.

##### 05-2. Individual Schools – Accounting Issues

**Finding** – We noted several instances where receipts and checks were coded to incorrect accounts. We noted that the use of purchase orders is inconsistent in the schools. We noted several instances where expenditures were not supported by adequate documentation. In several instances school funds were not deposited within three business days as required by State law. In one school the principal has given the secretary a signature stamp to be used for signing checks or other documentation in the principal's absence. None of the schools used budgets to monitor their expenditures. Several of the school secretaries were new in their positions and reported that they had received little training and were not sure how to perform school accounting functions.

**Status** – We noted similar findings in our procedures at individual schools for the 2005-06 audits. We did not note any situations where a principal had given the secretary a signature stamp for signing checks and other documents in the principal's absence. Secretaries acknowledged receiving

## Uintah School District

### **Status of Prior Year Findings and Management Letter Points For The Year Ended June 30, 2006**

training for their positions; but some were uncertain about various aspects of their school financial accounting responsibilities.

#### **05-3 Purchasing Card Expenditures - Account Coding and Verification**

**Finding** – We noted two instances where travel expenses charged on District purchasing cards were charged to the capital outlay fund. In one instance the amount was coded to supplies. We noted that accounts payable clerks review the summary sheets turned in by employees; but do not review the supporting detail.

**Status** – We noted no similar conditions in the 2005-06 year..